

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SPECIAL INVESTIGATION REPORT
OF

INDIAN CREEK ONLINE ACADEMY
NINEVEH-HENSLEY-JACKSON
UNITED SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA

July 1, 2019 to June 30, 2020



FILED
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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NINEVEH-HENSLEY-JACKSON UNITED
SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

This is a special investigation report for the Nineveh-Hensley-Jackson United School Corporation (School Corporation), for the period July 1, 2019 to June 30, 2020, and is in addition to any other report for the School Corporation as required under Indiana Code 5-11-1. All reports pertaining to the School Corporation may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the reporting of student enrollment and attendance. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 24, 2020

INDIAN CREEK ONLINE ACADEMY
NINEVEH-HENSLEY-JACKSON
UNITED SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

On July 15, 2019, the Nineveh-Hensley-Jackson United School Corporation (NHJ) and the American Online Education Services, LLC (AOES), entered into an Educational Products and Services Agreement to provide a virtual online school program. This online school was initially known as Indiana Academy Online, but received approval from the Indiana Department of Education (IDOE) on November 4, 2019, to change the name to the Indian Creek Online Academy (ICOA).

The IDOE provided the Indiana State Board of Accounts (SBOA) with a report on the ICOA dated March 2, 2020, detailing "anomalous data and trends that (IDOE) believes warrants further investigation." The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations*.

OVERPAYMENT OF TUITION SUPPORT

The NHJ was required to submit a Report of Average Daily Membership (ADM) to the IDOE twice per year, in September and February. ADM reports were used by the IDOE to calculate the tuition support payments due to the school. For the 2019-2020 school year, both the September and February ADM Reports were used by the IDOE to calculate the tuition support payments due to the school.

Individuals who sign the ADM report must certify, "The undersigned certify that this report is true and accurate in every respect to the best of their knowledge and belief." The Superintendent, Principal, Director of Schools, and the Treasurer are responsible for signing the ADM report and certifying the accuracy of the included figures. Dr. Timothy Edsell, Superintendent, and Debra E. Carter, Treasurer, signed the ADM reports submitted to the IDOE for the September 13, 2019, and February 3, 2020, count dates.

To achieve our examination objectives, we performed tests of data made available by the ICOA on their online learning vendor system. Consistent with a reasonable interpretation of applicable statutory definitions, to perform the ineligibility determinations, we used methodology that counted a student as eligible if there was any credible data or information indicating that the student was "enrolled," "attending," and an "eligible pupil" for purposes of ADM reporting.

The ICOA adopted a Student Engagement Policy effective for the 2019-2020 school year. The policy states that on day 15 with no activity/attendance, the "parent (is) informed that *the student will be unilaterally withdrawn from the school.*" We reviewed online learning vendor log-in records for all students included in the ADM reports for the September 13, 2019, and February 3, 2020, count dates. We determined if a student had not logged in within two weeks of count date or within two weeks of their date of enrollment, he or she did not meet eligibility requirements and should not have been included in the ADM count(s).

Below is a schedule of ineligible student counts and the corresponding tuition support overpaid:

School Year	Students With No Online Activity	Overpaid Tuition Support
2019-2020 (February)	6	\$ 14,148
Total		\$ 14,148

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Pursuant to Indiana Code 20-43-4-1(a) and IDOE Membership Layout instructional forms, this report is to include only eligible students at the time of the student count dates. When schools submit their ADM numbers in the state system, the responsible officers and employees of the school are required to affirm that the figures have been reviewed and are accurate in consideration of the applicable statutory definitions and rules. Additionally, the IDOE Membership Layout provides, "Supporting documentation of enrollment and attendance information by grade and school must be signed by the building principal and made available in the event of an audit of state distributions by [SBOA]."

The ICOA adopted a Student Engagement Policy effective for the 2019-2020 school year. The policy specifically states: "Students are expected to attempt all the activities associated with the course content on a daily basis and interact with their teacher on a weekly basis" and "If a student does not submit assignments for one consecutive week, they will be classified as Not Engaged." The policy also states that on day 15 without activity/attendance, the "parent (is) informed that *the student will be unilaterally withdrawn from the school.*"

Indiana Code 20-43-4-1(a) provides, "An individual is an eligible pupil if the individual is a pupil enrolled in a school corporation . . ." Under Indiana Code 20-43-1-11.5, "Enrolled" means to be: "(1) registered with a school corporation to attend educational programs offered by or through the school corporation; and (2) attending these educational programs or receiving educational services." Under Indiana Code 20-43-1-7.5, "Attending" means "physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered."

Officials shall maintain records (enrollment card, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We requested that the NHJ reimburse the State of Indiana \$14,148 for the overpayment of tuition support. Payment was received from the NHJ on January 26, 2021. (See Summary of Charges, page 8)

OVERPAYMENT OF COMPLEXITY GRANT

Schools in Indiana receive additional funding for tuition through a complexity grant, which is determined by the IDOE using information from the ADM report and calculations by the IDOE. The school received the complexity grant in school year 2019-2020. Since the school included ineligible students on their ADM report, calculations for the complexity grant were inaccurate. Below is a schedule of the complexity grant monies received for ineligible students:

School Year	Students With No Online Activity	Overpaid Complexity Grant
2019-2020 (February)	6	\$ 1,020.54
Total		\$ 1,020.54

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Pursuant to Indiana Code 20-43-4-1(a) provides, "An individual is an eligible pupil if the individual is a pupil enrolled in a school corporation . . ." Under Indiana Code 20-43-1-11.5, "Enrolled" means to be: "(1) registered with a school corporation to attend educational programs offered by or through the school corporation; and (2) attending these educational programs or receiving educational services." Under Indiana Code 20-43-1-7.5, "Attending" means "physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered."

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We requested that the NHJ reimburse the State of Indiana \$1,020.54 for the overpayment of complexity grant funds. Payment was received from the NHJ on January 26, 2021. (See Summary of Charges, page 8)

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in internal controls which contributed to the incorrect ADM reporting of students to the IDOE as follows:

- There was little to no oversight by the NHJ of ADM information for the ICOA. No documentation was provided that showed a review conducted by the NHJ of either ICOA ADM counts or ICOA submitted forms prior to submission.
- Students were included on the ADM report that had not engaged in the school curriculum two weeks prior to the February 2020 count date, or within two weeks of the date of enrollment.
- The Student Engagement Policy was not followed to the extent of withdrawing students who were not engaged in school curriculum.

The State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

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An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

We recommend that the NHJ develop internal control procedures over the reporting and submission of ADM reports.

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs due to the special investigation of the School Corporation.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under IC 5-11-5-1, the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

OFFICIAL BOND COVERAGE

The following is information regarding official bond coverage obtained by the School Corporation:

<u>Term</u>	<u>Amount of Coverage</u>
07-01-19 to 06-30-20	\$ 50,000

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EXIT CONFERENCE

The contents of this report were discussed on December 16, 2020, with Judy Misiniec, President of the School Board; Dr. Timothy Edsell, Superintendent; Debra Carter, Treasurer; Andy Cline, Assistant Superintendent; Brian Boehnlein, Data Coordinator; and Gar Hoover, President of American Online Education Services, LLC.

INDIAN CREEK ONLINE ACADEMY
 NINEVEH-HENSLEY-JACKSON
 UNITED SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance
Nineveh-Hensley-Jackson United School Corporation:			
Overpayment of Tuition Support, pages 3 and 4	\$ 14,148.00	\$	\$
Overpayment of Complexity Grant, pages 4 and 5	1,020.54		
Reimbursed on January 26, 2021, Check Number 20579		15,168.54	-
Totals	\$ 15,168.54	\$ 15,168.54	\$ -

This report was forwarded to the Office of the Indiana Attorney General.